

GOVERNMENT OF THE DISTRICT OF COLUMBIA
Office of the Inspector General

Charles C. Maddox, Esq.
Inspector General



August 12, 1999

The Honorable Anthony A. Williams, Mayor
Office of the Mayor
441 4th Street, N.W., Suite 1100
Washington, D.C. 20001

Dear Mayor Williams:

Enclosed is a Management Implication Report (MIR) summarizing the status of our review efforts on the District's Year 2000 (Y2K) readiness (MIR No. 99-003).

Additionally, this report contains information regarding concerns surfaced by representatives of the Office of the Chief Technology Officer (OCTO), the Office of the Chief Financial officer (OCFO), the Metropolitan Police Department (MPD), and the District of Columbia General Hospital (DCGH) relative to the District's Y2K initiative. Areas of concern include: insufficient funding for Y2K unmet needs; slow procurement processes; ineffective communication and coordination among District agencies; inadequate staffing and training to continue Information Technology functions after Y2K remediation efforts by contractors are complete; and lack of documents/certifications of an agency's Y2K compliance. As such, this report requests that representatives from the OCTO meet with representatives from OCFO, MPD, and DCGH to discuss and resolve the issues identified.

In commenting on a draft of this report, OCTO, MPD, and DCGH officials agreed with our findings and recommendations and have cited actions to address, clarify, and facilitate the District's efforts in becoming Y2K compliant. Their responses are included as appendix A to this report. The OCFO was unable to provide a response to our draft report at the time of publication. Accordingly, the OCFO response to the report should be provided as soon as possible so that we can include it as part of the permanent record. Additionally, the OIG is asking the OCFO to respond to concerns, which address whether systems will be in place January 1, 2000, to ensure District employees are paid.

If you have any questions regarding this MIR please contact me at 727-2540, or a member of your staff may contact John N. Balakos, Assistant Inspector General for Audits, at 727-8279.

Sincerely,



Charles C. Maddox, Esq.
Inspector General

INTRODUCTION

The purpose of this correspondence is to report on the District's Year 2000 (Y2K) readiness status. Due to the critical nature of the subject matter, we are reporting this information in a new format referred to as a Management Implication Report (MIR).

The Office of the Inspector General (OIG) has instituted three new categories for issuing of certain type reports. The three new categories are:

- Management Alert Report (MAR)
- Management Implication Report (MIR)
- Fraud Alert Report (FAR)

A **MAR** is a report that is issued to the head of an agency for the purpose of identifying systemic problems that should and could be addressed during an audit, investigation, or inspection process. This report can also be used as a quick reaction report when it is necessary to advise management that significant time-sensitive action is needed. A **MIR** is a report that is issued during or at the completion of an audit, investigation, or inspection alerting all District agencies of a potential problem which may or may not be occurring in their particular agency. And, a **FAR** is a report identifying a fraudulent scheme or schemes discovered most commonly as a result of a criminal investigation. This report is issued to all District agencies to be on the lookout for similar schemes within their own agencies.

This **MIR** is the third letter report issued by the OIG to report on the readiness of the District of Columbia's (District) Y2K conversion effort. The previous two reports (issued January 28, 1999 and March 22, 1999) addressed the status of the eighteen critical agencies, and apprised the District leadership and stakeholders of the new Y2K program evaluation and measurement scale developed by the Gartner Group that we are using to report the status of each agency. The OIG also issued a report; OIG No. 9830-11, on January 14, 1998, in which the objectives were to determine levels of current awareness of the Y2K issue for District agencies and executives and to determine efforts to assess the Y2K impact on the District Government.

Accordingly, in this **MIR** we identify our concerns and those of the District agencies and make recommendations to assist the District in addressing and resolving Y2K deficiencies. Lastly, this **MIR** provides an update on the progress of the Y2K efforts since our last report dated March 22, 1999.

CURRENT EFFORTS:

We continue to meet on a periodic basis with the Office of the Chief Technology Officer (OCTO) and the General Accounting Office (GAO) to exchange communications and Information Technology (IT) knowledge regarding the Y2K issue.

In the latest effort to monitor the Y2K conversion process, we are continuing to coordinate efforts with GAO in reviewing the District's efforts for preparing its business processes and computer systems to change the century date. The GAO efforts are concentrated on reviewing critical functions such as Fire and Emergency Management and Safety. We also met and talked with representatives for the Office of the Chief Financial Officer (OCFO), the Metropolitan Police Department (MPD), and the D.C. General Hospital (DCGH) to gain an understanding of their concerns, progress, and problems relating to their Y2K efforts.

Lastly, the OCTO awarded a contract on July 16, 1999, to provide an independent compliance review/audit to affirm the completeness and the effectiveness of the remediated code pertaining to the District's Y2K problem. Again, these efforts are being conducted to achieve Y2K-related IT compliance on all identified application programs for the 18 mission-critical District agencies. This effort is scheduled to finish no later than November 1999.

EXECUTIVE OVERSIGHT:

An Executive Steering Committee was developed and has begun meeting in July on a bi-weekly basis. Members of the Executive Steering committee include the Mayor, the CTO, representative from the City Council and Control Board, and the Chief Financial Officers (CFO's) of the 18 critical agencies

The mission of the Executive Steering Committee is to:

- Be a catalyst for action
- Provide District-wide policy decision making
- Provide project oversight
- Be visible participants in the Y2K project

The Executive Steering Committee was formed to bring together the decision and policy makers of the District Government to assist in identifying and resolving problems that arise surrounding the Y2K initiative in the District. We believe that through its members and regularly scheduled meetings there is now a mechanism that provides key decision makers necessary information on issues requiring management attention.

Y2K STATUS UPDATE:

The OCTO has provided the OIG with a copy of its Draft Status Report dated June 24, 1999. This report encompasses all the identified critical and non-critical applications within 68 District agencies. However, this status did not identify costs or timetables as they relate to completed inventories or unmet needs. For current information, the status report refers the reader to the second OMB Supplemental Funding Request and the District's web-site.

The status report identified the number of applications at each agency and, in some instances, described the use of the application. It also stated whether the applications were mission-critical, and the planned course of action for becoming Y2K compliant.

The report also identified problems encountered during the testing and remediation at agencies. Although some systems have been certified as Y2K compliant, the testing of these systems proved that this was not the case. The report assumes that further work assuring Y2K compliance is needed, but does not specifically address a plan of action.

We believe that this document is a useful tool to identify the applications, categorize them, and report planned actions. However, we would like to see a document that combines the data of the costs expended to date, as well as those anticipated costs over the next 2 quarters. The status report should also include the percentages of Y2K readiness and specific milestones to renovate, validate, and implement systems. With this information, one will be able to monitor the progress made and related costs incurred in achieving Y2K compliance.

STATUS OF Y2K REMEDIATION EFFORTS:

There has been some confusion about the approach and methodology being implemented by the OCTO to achieve Y2K compliance in the District. Many District agencies have been concerned that the OCTO has made data center consolidation an integral part of the Y2K remediation process. OCTO has stated that data center consolidation is independent from Y2K clean management activities. Data center consolidation is a long term plan which is considered by OCTO as phase two of the Y2K remediation process. Efforts in this area will not be specifically addressed until after January 1, 2000.

The District currently has nine data centers. It is OCTO's plan that during the remediation of data at five of these centers, computer applications and related data will be transferred to an off-site data production environment to ensure that Y2K remediation efforts are successful. After such time, the data and applications will be returned to production at a permanent data center location. The OCTO has identified an interim production site for all the remediated data to be processed and held. The interim production site is located in Lexington, Kentucky.

OCTO stated that, as of June 23, data from one of the data centers, the University of the District of Columbia (UDC), was moved to this interim production site. The cost of this move was approximately \$400,000.

READINESS SCALE PERCENTAGE COMPLETED UPDATE:

The District has 73 Y2K readiness status reports that are now resident on the District's Y2K Web-site. Although we have previously identified 68 District agencies, for purposes of reporting readiness status, the OCFO has been broken down into 5 separate agencies. You may access the Web-site at www.y2k.dcgov.org.

We reported in our last **MIR** that a new Y2K program evaluation and measurement scale was being implemented. We provided the status of each agency using the new methodology and terminology. The legends associated with the new Y2K evaluation methodology were:

- IT = Information Technology systems
- NON-IT = Non-Information Technology systems
- EUC = End User Computer systems
- CONT = Contingency Planning

The following is a summary of the status for the 73 District Y2K agencies as of July 22, 1999.

There are 25 Y2K agencies participating in the **IT** phase. The status of these 25 agencies is:

- 04 are 25% complete
- 06 are 40% complete
- 09 are 60% complete
- 02 are 80% complete
- 04 are 100% complete

There are 72 Y2K agencies participating in the **NON-IT** phase. The status of these 72 agencies is:

- 01 is 40% complete
- 15 are 60% complete
- 31 are 80% complete
- 25 are 100% complete

There are 72 Y2K agencies participating in the **EUC** phase. The status of these 72 agencies is:

- 02 are 25% complete
- 10 are 40% complete
- 21 are 60% complete
- 29 are 80% complete
- 10 are 100% complete

There are 72 agencies participating in the **CONT** phase. The status of these 72 agencies is:

- 06 are 25% complete
- 10 are 40% complete
- 26 are 60% complete
- 27 are 80% complete
- 03 are 100% complete

CONTINGENCY PLANNING:

The OCTO has initiated an "**Honor Roll Register**" for all District Y2K agencies. The honor roll register is based on an agency completing at least one **Written Contingency Plan**. At some agencies these plans have been implemented and tested. The OCTO has reported that all 18 mission-critical agencies have completed contingency plans. They are:

1. Metropolitan Police Department (MPD)
2. Fire and Emergency Medical Services
3. Emergency Management Agency
4. Water and Sewer Authority
5. Department of Health
6. Department of Human Services
7. Department of Employment Services
8. Office of the Chief Financial Officer
9. Department of Public Works
10. Department of Corrections
11. D.C. Public Schools/Board of Education
12. Department of Consumer and Regulatory Affairs
13. D.C. Lottery and Charitable Games Control Board
14. Office of Contracting and Procurement
15. Office of Personnel
16. Commission on Mental Health
17. The University of the District of Columbia
18. D.C. General Hospital

The OCTO reported that they are on schedule as they move to the next contingency planning phase of implementation and testing of these plans.

Y2K FY 1999 AVAILABLE AND REQUESTED SUPPLEMENTAL FUNDS:

District funding in the amount of \$31 million (which included \$20 million of federal funds) was the initial budgetary base for the Y2K project(s) in the District's 68 identified agencies. These funds were for assessing, remediating, and testing systems; developing contingency plans; and implementing training efforts. Initially, the efforts funded by the \$31 million were focused on four mission-critical agencies: Metropolitan Police Department, Fire and Emergency Medical Services, Emergency Management Agency, and Water and Sewer Authority.

Once these funds were exhausted, the OCTO made a supplemental Y2K request to the Office of Management and Budget (OMB). This request totaled \$111.5 million; of which \$61.8 million was approved. These initial supplemental funds supported remediation, testing, and a full-scale contingency planning and testing effort in the remaining 64 District agencies.

In July 1999, the OCTO submitted a second supplemental request to OMB totaling \$74.9 million. As of July 30, 1999, OMB had not approved this additional funding requests. These funds will primarily support a non-information technology-focused inventory (embedded systems), assessment and remediation; an independent verification and validation effort; a public relations/outreach program; crisis management; and agency-level Y2K unmet needs which fall under OMB guidelines.

At the OCTO's request, we reviewed a copy of this second supplemental request. Based on the limited time provided to review this document, and the manner in which the cost categories were grouped and reported, we did not have sufficient data to determine the reasonableness of the amounts reported in the Request for FY 1999 Emergency Fund Appropriations.

OIG CONCERNS:

Since our first report on the Year 2000 Review (OIG No. 9830-11) issued on January 14, 1998, the District has progressed in its Y2K efforts and has had positive results. Agencies are working hard to accomplish their goals and objectives as they relate to Y2K. During this 18-month period, the District has moved from an agency awareness phase through identification and inventory of assets to actual remediation and testing. However, we still have the concern whether the District will meet its goals to become Y2K compliant and have comprehensive contingency plans in place before the end of the year.

While efforts are ongoing to address the Year 2000 readiness of the District's computerized processes, we must also concurrently address the issue of business partner readiness. This is necessary because several critical District business functions depend on non-District business partners (public and private) for the timely delivery of goods and services. They comprise the District's business operations lifeline. The failure of critical business partners, suppliers, or customers to function (at expected capacity) could severely impact the District's ability to deliver critical public services.

During the course of monitoring and reporting on the District's Y2K initiatives, we have identified the following concerns:

1. Whether the District will meet the needs of its residents with regard to Y2K readiness with the continuity of business services; and non-IT areas, such as providing uninterrupted services for electricity, gas, water, groceries and general public safety; especially as it relates to the resident's health, safety and well-being. These are specifically:
 - Community and regional entities on which District residents depend, such as the transportation industry, telephone company, and utilities. Curtailment in these services usually means immediate contact with the District by citizens demanding expected services.

- Suppliers with whom the District conducts business, but who are not under contract. Examples are hospitals and banks receiving direct deposits.
- Vendors (i.e., contractors and suppliers) that are under formal contracts or binding agreements to supply the District with goods and services (whether they have electronic interfaces to the District's computers or not) or who provide goods and services to District residents as agents of the District. Examples are contractors who supply cafeteria services, health exams, and inoculations.

In order to address these concerns, we plan to initiate an audit of the District's disaster preparedness. Specifically, the audit will address whether the District has initiated action to ensure that its citizens and other dependent entities are provided critical/essential services in the event of an emergency resulting from Y2K induced system failures.

2. The propriety of Y2K funding for goods and services. We plan to initiate audit work in the areas of procurement and financial management and contract administrative functions relative to Y2K initiatives. The objectives of this audit will focus on whether the Office of the Chief Technology Officer (OCTO) has controls in place to ensure the reasonableness of expenditures and to properly account for and monitor Y2K funding amounts, and to comply with applicable regulations, policies, and procedures.
3. Contingency plans for the District's payroll system. The District is in the process of converting from the Uniform Personnel/Payroll System (UPPS) to the Comprehensive Automated Personnel/Payroll System (CAPPS). CAPPS has been certified as Y2K compliant by the vendor. However, as of the issuance of this report many employees have not been converted to this new system and are still being paid from UPPS. The OIG has concerns that all District employees may not be transferred to the new CAPPS system by December 31, 1999, and that the UPPS system is not Y2K compliant and therefore, many District employees may not be paid.

AGENCY CONCERNS:

In the following section we address concerns that have been brought to our attention by certain agency representatives. The lack of a resolution of these concerns may be due to communication problems among these agencies.

OCTO Assertions:

The OCTO expressed concerns surrounding the effects that audit and oversight efforts have on its time schedules to complete Y2K remediation and testing work. The OCTO agreed that these functions provide a valuable service, but take away already limited contractor and OCTO staff time needed on the District's Y2K initiative. Notwithstanding OCTO's concerns, we will continue our oversight and monitoring efforts. Additionally, we will continue to coordinate our

work with that of other reporting entities so as not to duplicate efforts or perform unnecessary reviews.

As the end of 1999 approaches, the OCTO is beginning to take steps to phase out contractors located within the various agencies providing IT support. Due to the volume of the contractors at District agency locations and their current workload, the OCTO is concerned that the phasing out of contractors will result in insufficient staff to continue the IT functions. The OCTO is attempting to ensure that District staffs are properly trained and have the procedures in place so that operations will continue to run smoothly. However, it is believed that this transition will come with some difficulty. For instance, the Office of Pay and Retirement Services (OPRS) has a limited IT staff.

The OCTO's concerns that SHARE is not Y2K compliant is based on inadequate documentation from the OCFO indicating a high assurance that clean management data centers (i.e. IT systems, subsystems, and interfaces) are or will be Y2K compliant by December 31, 1999. In addition, the OCTO asserts that no independent verification and validation process has been conducted.

OCFO Assertions:

The OCFO agrees that they have experienced staff limitations at their agency in regards to performing Y2K testing and remediation work. However, this shortage of staff has not hindered the remediation of programs at the OPRS. For instance, the OCFO has successfully remediated and tested (i.e. windowing methodology) the Pension and Payroll System (PAPS) code.

At the request of the OCTO, the OCFO reviewed and provided extensive comments on OCTO's request for proposed data center consolidation. This long term plan is considered as phase two of the Y2K remediation process by OCTO and is independent from Y2K clean management activities. The OCFO cites its rationale for not participating in the data center consolidation. After review of the plan and consideration of the major technological initiatives that it started it is the OCFO's opinion that OCTO's consolidation plan will jeopardize the District's financial systems. Although the OCTO asserts that there are no clean Y2K data centers in the District, the OCFO disagrees. In response to this position, the OCFO stated that they procured a Y2K compliant IBM OS/390 Central Processing Unit (CPU) in order to have access to a clean environment for both new and old system testing. Renovation with "windowing"¹ logic processing and subsequent migration of OPRS production data was completed in January 1999. Additionally, OCFO has modernized the SHARE facility by purchasing hardware and upgrading software to ensure their systems are Y2K compliant to accommodate the aggressive project schedules of the new financial systems (System of Accounting and Reporting (SOAR), Comprehensive Automated Personnel/Payroll System (CAPPS), and Information Technology System (ITS)).

¹ A technique that enables a two-digit representation of year values beyond 1999 by converting applications to a new four-digit representation of the year.

In response to the OCTO assertion that SHARE is not Y2K compliant the OCFO stated that OPRS and IBM have approved and implemented test schedules for all 6 OCTO projects. These projects and schedules are managed by IBM, OCTO, the U.S. Treasury, and OPRS. Furthermore, volumes of data exist which refutes the OCTO's assertion that "no documentation" has been submitted. However, OCFO, OCTO and IBM meet on a daily basis to intensely manage all OPRS projects. We were informed by the OCFO that they are willing to make this documentation available to OCTO upon request.

The OCFO has requested a definition of and specific standards and procedural guidelines from OCTO as to the definition of "clean data environment". The OCFO also has requested what it needs to provide to satisfy requirements for a Y2K ready clean production environment. The OCFO stated that many of its systems have been tested and that the results of these tests show the systems to be Y2K compliant and well within industry standards.

The OCFO expressed concern regarding project management documentation relating to Y2K project status, cost incurred, and budgetary spending levels. The OCFO technology staff is unable to directly access management and budgetary data (currently on the OCTO server) necessary to perform proper oversight of Y2K spending activities. This information is available to contractors supporting the District's Y2K efforts but is not directly accessible by District employees responsible for managing day-to-day project activities.

MPD Assertions:

MPD reported at the June 28th District of Columbia Council Oversight Hearing on Y2K Conversion and Public Safety that it has encountered roadblocks relating to procurements which has hindered its Y2K remediation progress. The OCTO is involved in remediating and testing four applications at the Metropolitan Police Department (MPD). However, there are substantial issues with the data center operations that will affect MPD's ability to operate in a Y2K environment which need to be addressed. After an assessment of MPD's Y2K needs, OCTO prepared a report that contained a set of 14 recommendations for data center operations and improvements. These recommendations provided the basis for production standards and procedural guidelines. MPD has implemented one of the recommendations and has procurements underway for commercial software that will implement two others. The remaining 11 recommendations will be prioritized for implementation in FY 2000, subject to final budget and personnel authorizations.

DCGH Assertions:

Officials from DCGH had concerns regarding its Y2K status due to OCTO funding shortages. DCGH officials stated that OCTO was to fund the following Y2K initiatives:

- Remediate the legacy hospital Management Information System (MIS) code and upgrade necessary hardware;
- Fund all financial interfaces (i.e., SOAR, CAPPS);
- Fund all Non-IT "Giftchips" – replacement of embedded chips etc.;
- Fund replacement for 18 components in electrical closets, routers, stacks etc., in order to connect to the District's Wide Area Network (WAN); and
- Fund the District's "Fix the Phones" project at DCGH. This project was halted in late May in order to re-evaluate the costs associated with Public Benefits Corporation (PBC).

DCGH was subsequently informed by OCTO that funding for these projects was no longer available. However, OCTO did state they would try to provide the agency with \$80,000 for the CAPS and SOARS interfaces if funds remained unspent at other agencies.

DCGH is implementing a new Hospital Management Information System; Shared Medical Services (SMS). The legacy MIS will also be remediated and used as a back-up system. DCGH must incur the costs to prepare a contingency plan for this new system. The new MIS is expected to be in operation by September 30, 1999.

In a meeting with OCTO on Friday July 23, 1999, OCTO stated they were still committed to the funding for the remediation of the legacy MIS. DCGH officials stated, as of the date of the MIR, they have not received milestones or funding availability for the "Fix the Phones" project from the OCTO.

DCGH officials stated they plan to continue with the needed Y2K testing and remediation work necessary to become Y2K compliant. However, these costs, as well as the costs for the new MIS and related contingency plan will be funded from the current year operating budget, which will affect patient care. Also, costs for these products and services, initially budgeted at \$2.3 million, are expected to be greater at this later date due to high demand in the industry and the lateness of hiring IT contractors due to the critical nature of the Y2K.

REQUESTED AGENCY ACTION:

We requested that the OCTO meet with the OCFO, MPD and DCGH to discuss the issues in this MIR and resolve any differences or concerns. The issues raised in this report must be addressed at the agency level.

In commenting on a draft of this report, OCTO, MPD, and DCGH officials agreed with our findings and recommendations and have cited actions to address, clarify, and facilitate the District's Y2K efforts in becoming Y2K compliant. Their responses are included as appendix A to this report. The OCFO was unable to provide a response to our draft report at the time of publication. Accordingly, the OCFO response to the report should be provided as soon as possible so that we can include it as part of the permanent record. Additionally, the OIG is asking the OCFO to respond to concerns which address whether systems will be in place January 1, 2000, to ensure District employees are paid.

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